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**2021-22**





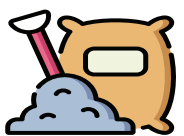


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Finance Minister Nirmala Sitharaman will present the Union Budget 2021-22 on February 1. The Union Budget is coming against the backdrop of the coronavirus pandemic, which has affected economies around the world. Budget 2021 will be keenly watched for policy initiatives to revive the key sectors of the economy. The Indian economy took a major hit this financial year amid months-long nationwide lockdowns to prevent the spread of the virus, leading to an unprecedented GDP contraction of nearly 24 per cent in the first quarter and 7.5 percent in the second. In the first half of the financial year, the Indian economy has shrunk 15.7 per cent from a year earlier, and for the full year, the National Statistical Organisation has projected a 7.7 per cent contraction in its first advance estimates. The economy has shown some signs of a recovery since the second quarter; all eyes now will be on Finance Minister Nirmala Sitharaman to see how she gives a meaningful push in the Budget to expedite the revival.

### Key things to watch out in Union Budget 2021-22



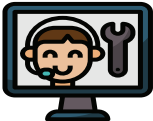
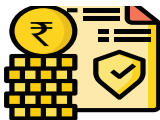
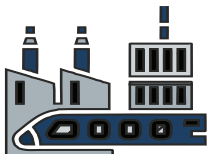
1. Measures to boost distress economy.
2. Sector-specific measures.
3. Measures to boost job creation in the system.
4. Fiscal deficit Numbers.

Below mentioned are some of the industry expectations from the Union Budget 2021-22

Industry	Expectation	Impact	Stocks in Focus
<b>Automobiles</b> 	Announcement on vehicle scrapping policy and allocation towards setting up vehicle scrapping infrastructure. Reduction GST on smaller cars and two wheelers from 28% to 18%. Reduction GST on auto components from 28% to 18%.	<b>Positive</b> for Auto manufacturers.	Ashok Leyland, Tata Motors, Mahindra & Mahindra, Maruti, HeroMotoCorp.
<b>Banks &amp; Financial Services</b> 	Capitalization of PSU Banks. Formation of a bad bank to provide a clean slate to the PSU banks by offloading the legacy stressed assets to the bad bank.	<b>Positive</b> for PSU Banks.	SBI, Bank of Baroda, PNB etc.
<b>Cement</b> 	Cut in GST rates from 28% to 18%. Increase in government thrust on infrastructure spending.	<b>Positive</b> for Cement companies.	Ultratech Cement, ACC, Shree Cement, India Cement, Heidelberg Cement, JK Cement etc.
<b>Chemicals &amp; Fertiliser</b> 	To Increase fertiliser subsidy (Rs.71,300 Cr Provided for FY2020 -21). Lower import duty on phosphoric Acid(Currently 5% ) and ammonia(Currently 2.5%).	<b>Positive</b> for Fertilizer companies.	Coromandel International, Chambal Fertilisers.
<b>Consumer durables</b> 	To lower tax rates on two key categories – air conditioners (ACs) and TV sets from 28% to 18%.	<b>Positive</b> for Consumer Durables companies.	Amber Enterprises, Blue Star, Johnson Controls - Hitachi. Dixon Technologies.

# Union Budget 2021-22

## Preview

Industry	Expectation	Impact	Stocks in Focus
<b>FMCG</b> 	<p>To Increase allocation under the MNREGA scheme as compared to Union Budget 2020-21.</p> <p>To Increase investment in agri-infrastructure such as cold chain, warehousing, logistics and irrigation, which would improve rural connectivity and thereby boost consumption demand in rural areas.</p>	<p>Greater incentives and higher investment for improving rural economy will be <b>positive</b> for rural-centric companies.</p>	<p>Hindustan Unilever, Dabur India, Emami and Jyothy Labs.</p>
<b>Housing Finance &amp; Real Estate</b> 	<p>Extension of tax holiday under section 80IBA of IT act for projects under affordable housing by 1 more year (31<sup>st</sup> March 2022).</p> <p>Remove or increase stamp duty value limit of INR 45lakh for affordable housing under 80IBA to provide tax benefit to higher number of projects.</p> <p>Extending additional INR 1.5 lacs tax benefits on interest paid to all housing categories from current restriction of affordable housing.</p>	<p><b>Positive</b> for Housing &amp; Real Estate.</p>	<p>LIC Housing Finance, L&amp; T Finance, Brigade Enterprises, Prestige Estate, Oberoi Realty, DLF.</p>
<b>IT</b> 	<p>Budget allocation for the Make in India, Digital India and smart cities initiatives should be increased.</p> <p>Stronger data protection laws to protect valuable data from being misused by entities.</p>	<p><b>Positive</b> for IT companies as it will provide more projects.</p>	<p>HCL Tech, Infosys, TCS, Wipro, Quick Heal Technologies.</p>
<b>Insurance</b> 	<p>Increase in FDI in the core insurance sector, from 49% to 74%.</p> <p>Further tax incentives for products like term insurance, health insurance and pensions.</p>	<p><b>Positive</b> for Insurance companies as it would allow capital flow in the sector along with transmission of best practices from foreign partners.</p> <p>Further tax incentives for products like term insurance, health insurance and pensions will bolster demand for these products.</p>	<p>SBI Life, HDFC life, ICICI Pru life, Max Financial Services, ICICI Lombard.</p>
<b>Infrastructure</b> 	<p>To increase budgetary support to transport ministry and NHAI.</p>	<p><b>Positive</b> for Construction companies.</p>	<p>KNR Constructions, Sadbhav Engineering, Ashoka Buildcon, Dilip Buildcon.</p>

### Direct Tax:

#### Individual Tax payers:

- **Raising the cap on tax benefit for investments**

The limit for deduction under section 80C for tax saving investments was last enhanced in 2014 to Rs 1.5 lakh. It is hoped that this limit will be raised to at least Rs 3 lakh to encourage individual income earners to channelise maximum savings into investments, thus promoting economic growth in their own small way.

- **Long term capital gains**

In order to encourage taxpayers to invest in mutual funds and shares, the gains from sale of such units/shares should be made more tax-friendly by removing the taxability on such sale of long term capital assets.

Source: Bloombergquint, Economic Times, Business Standard, Business Line, Times of India, Mint, Indian Express, Business Today, Indian Express, Money Control, in.investing, Cnbctv18 & ACMIIL Research

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